

Case of the leather sector in Ethiopia

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ABSTRACT

Entrepreneurship has played an important role in economic growth, innovation, competitiveness and in poverty alleviation. Today's dynamic, global, and challenging business environment requires a firm to be entrepreneurial if it is to survive and grow. Rapidly changing technology and shortened product life cycles support the need for a firm to be innovative and develop new ideas, products, and processes, and be willing to take risks to cope with rapid change. Increased domestic and global competition amplifies the need for a firm to stay ahead of competition. In dynamic business environment, Small and Medium Enterprises (SME's) must make competitive changes in order to move forward. The capacity to seize on an opportunity depends on the level of entrepreneurial orientation that a firm possesses (Waldron, 2004). This is because direct entrepreneurial orientation is associated with innovation, proactive and the willingness to take risk which is an important measurement to a firm when implementing a certain strategy to compete with opponents. This study investigated the degree of Entrepreneurial Orientation (EO) of thirty footwear manufacturing Small and Medium scale Enterprises (SMEs) in Addis Ababa. This study deals with the five dimensions that are critical to entrepreneurial orientation: innovation, pro-activeness, risk taking, competitive aggressiveness, and autonomy in relation to small & medium leather footwear manufacturing enterprises in Addis Ababa. And finally come up with the information that to what extent the investigated enterprises are aware of EO and practice it. Qualitative and quantitative techniques were applied for data analysis. Findings showed about 80% of SMEs in AA represented moderate and above moderate level of EO. From the five dimensions: Proactiveness, innovativeness, risk taking competitive aggressiveness, and autonomy, the autonomy and proactiveness dimensions are the most and least exercised ones by the respondents taken in this study. Results further indicated there were moderate responses to the rest dimensions. This study could be useful for policy makers to plan their activities towards entrepreneurship development of SMEs in AA. It is hoped that the findings of this study discussed here can benefit the government, entrepreneurs, other researchers, and important parties in the field of entrepreneurship.

Keywords: Small & Medium Scale Enterprises (SMEs), Entrepreneurial Orientation (EO)

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Introduction

Context of the study

In the fast changing and competitive global market environment, small and medium enterprises (SMEs) are found to exert a strong influence on the economies of many countries (Ghobadin & Gallar, 1996; Roslan, 2010). The vast majority of countries – developed and developing alike – rely on the dynamism, resourcefulness and risk-taking of private enterprises to trigger and sustain processes of economic growth. SMEs play a role in enhancing a country's economic growth (Kilby, 1983; Venesaar and Loomets 2006; Jeswal, 2012, Urban et.al; 2013). Many nations, particularly developing countries, have recognized the value of small and medium-sized enterprises (SMEs).

SMEs provide the economy with economic growth, employment and innovation. The SMEs have contributed significantly to job creation, social stability, and economic welfare of countries.

In overall economic development, a critically important role is played by micro, small and medium enterprises which, on average, make up for over 90% of enterprises in the world and account for 50-60% of employment. In particular in the developing world, “SMEs are the emerging private sector in poor countries, and thus form the base for private sector-led growth” (Luetkenhorst, 2005:8). In Ethiopia, MSEs comprise 99% of all enterprises, over 60% of private employment, and about 30% of exports (Demeke, Guta and Ferede, 2006). Because of the important role MSEs play in the economy, the Ethiopian government has identified MSEs as key sectors of the economy in its pro-poor economic growth strategy (Nzinga and Tsegay 2012).

In Ethiopia small and medium enterprises (SMEs) have also played a critical role in the economic development. SMEs comprise the largest share of enterprises and employment in the non-agricultural sector in Ethiopia. In Ethiopia, MSEs comprise 99% of all enterprises, over 60% of private employment, and about 30% of exports (Demeke, Guta and Ferede, 2006).

Therefore, SMEs have been a special focus of the government. The promotion and development of SMEs is emphasized as one of the most effective means for achieving faster development and creating job opportunities. In this regard, the Government drafted its first Micro and Small Enterprise Development Strategy in 1997 and this has also been re-emphasized in PASDEP (2006). Moreover, a draft of new SME policy was developed by the Ministry of Trade and Industry (MoTI) for 2007-08 with ILO's support (DWCP, 2009). Furthermore, this sector is also identified as one of the pillars of the strategic focus for the industrial development of Ethiopia as stipulated in the Growth and Transformation Plan of Ethiopia (GTP, 2010:56)

Manufacturing SMEs make up the largest and the most important segment of the industrial sector in Ethiopia. In 1998, for example, SMEs contributed to 68 per cent of gross value of production and over 80 per cent of employment in the manufacturing sector. Hence, the aim of this study is to examine the entrepreneurial orientation of SMEs in Ethiopia

Statement of the problem

Roslan (2010) cited, from the U.S Small Business Administration (SBA), that nine out of ten small businesses fail in the first three years. Small and Medium Enterprise Development Agency of Nigeria in 2008, reports that most small and medium scale businesses in Nigeria die before their fifth

anniversary. Andy et.al (2011) states inappropriate leadership style could be one of the reasons for high failure of small enterprises. Small business failure is a problem as it increases unemployment and slowing down economic growth. Many companies regard entrepreneurial behavior as essential if they are to survive in a world increasingly driven by accelerating change (Lyon, Lumpkin, & Dess; 2000:1055).

In Ethiopia over the last decade, though gross entry rates in the manufacturing sector have been high (on average 7.6% per year); however, exit rates among new firms have been high too. According to Gebreyesus (2008), 60% of entering firms exit the Ethiopian market within three years in business. As a result, net entry rates in the sector have not been high enough to increase the relative size of the manufacturing sector in the last decade (Siba Eyerusalem 2011). And 55% of the factors accounted for businesses that ceased operation in Ethiopia are due to poor managerial skills (Eshetu and Zeleke; 2008).

Another study which was conducted in Addis Ababa (Dawit, 2007) demonstrates that internal factors such as entrepreneurial orientation, leadership, and motivation account to the performance of firms to a great extent. Strengthening these findings, other studies have revealed that the performance of organizations co-relate directly to the leadership styles of the leaders in the organizations and leaders are the problem solvers who are able to guide the organizations through challenges and achieve more through others (Roslan; 2010).

Therefore, the reason why this study is undertaken is to examine the entrepreneurial orientation characteristics of small and medium manufacturing enterprises in Ethiopia.

Research questions

The researcher develops six main research questions to answer the purpose of the study. These are stated as follows:

1. What is the state of entrepreneurial orientation among the SME owner/managers in Ethiopia?
2. What is the state of innovativeness among the SME owner/managers in Ethiopia?
3. What is the state of risk taking propensity among the SME owner/managers in Ethiopia?
4. What is the state of proactiveness among the SME owner/managers in Ethiopia?

Objectives of the study

The main objective of this study is to analyze and evaluate the entrepreneurial orientation characteristics of small and medium Enterprises (SMEs) in Ethiopia. Specifically, the study is designed to achieve the following specific objectives:

1. To identify the state of entrepreneurial orientation among the SME owner/managers in Ethiopia?
2. To identify the state of innovativeness among the SME owner/managers in Ethiopia?
3. To identify the state of risk taking propensity among the SME owner/managers in Ethiopia?

4. To identify the state of proactiveness among the SME owner/managers in Ethiopia?

Significance of the study

This is projected to contribute to the entrepreneurship literatures by developing a model of entrepreneurial orientation by determining which specific entrepreneurial orientation construct possesses most by the owners of the SMEs in Ethiopia.

It will also serve as a valuable source in future studies in the fields of entrepreneurship, especially in the fields of entrepreneurial growth.

The result of this study can be used by the Ethiopian Government in determining the best strategies to develop SME entrepreneurs as well as to assist entrepreneurs to compete in the international scene by developing their EO and best practices.

As the government has assigned considerable huge amount of funds to the development of SMEs, it is crucial to witness its contribution to the economy via continuance of the business.

Scope of the study

Participants of this study comprised those owner/managers of SMEs from the leather and footwear manufacturing sector. The leather and footwear sector is selected as Ethiopia has a huge livestock population consisting of cattle, sheep and goats. Hides and skins are one of Ethiopia's most important export products. The leather and footwear products sector is one of the most promising manufacturing industries in Ethiopia. Due to its strong backward linkages with the rural economy, it has considerable potential for poverty

reduction. To date it has created about 10,000 jobs in the formal industry (ecbp 2009), plus a much greater number in informal handicraft and trading activities (Altenburg, 2010:22-23).

Data was collected using the demographic questionnaire, Entrepreneurial orientation questionnaire. The Entrepreneurial orientation questionnaire developed by Slevin and Covin (1991) was used to measure the constructs of entrepreneurial orientation.

In summary, the study is limited in scope with the understanding that neither time nor money would allow for a comprehensive study of entrepreneurial orientation in Ethiopia.

Theoretical foundation of the study

Introduction

This part deals with the theoretical foundation of the study of entrepreneurial orientation of SMEs relevant to the research questions of this study.

Theoretical underpinning

The fundamental theoretical underpinning for this study is based on the concepts of entrepreneurship. In this topic constructs like, entrepreneurial orientation measures of SMEs have been covered as these are the building blocks of the study.

Entrepreneurship: some conceptual dimensions

There has been a long tradition of writers on the subject of entrepreneurship dating back several centuries and linked to the fact that competitive capitalism was supplanting feudalism and absolutist monarchy, thereby encouraging innovation and technological progress. The decline in feudalism

and absolutist monarchy allowed innovation and growth to flourish because capitalism rewarded commercial success instead of military prowess or courtly behavior (Brouwer, 1996). It appears that contemporary entrepreneurship research began with the work of economist Joseph Schumpeter (1883-1950) who stressed the importance of new entry for business innovation in his early work (Schumpeter, 1936), referring to the process of creative destruction. Schumpeter focused on innovation and the individual entrepreneur and maintained that richness was created when things were changed, whether by the introduction of a new asset or new product, a new production method, the opening of a new market, or the creation of a new organization. Following Schumpeter were many entrepreneurship scholars who agreed that there is no entrepreneurship without the entrepreneur and, therefore, it is important to study entrepreneurship at the individual level since entrepreneurs are the energizers of the entrepreneurial process (Brockhaus, 1976).

No single accepted definition has been ascribed to the concept of entrepreneurship in the research literature Aloulou 2002. In fact, the concept has been used to depict a wide range of activities, such as founding, adapting and managing a venture. Therefore, entrepreneurship takes many forms and it is not surprising that a compromise has not been reached on defining it (Bygrave, 1989; Cunningham & Lischeron, 1991; Fayolle, 2000).

The classic definition given by Schumpeter (1934) stressed the fact that entrepreneurship has to do with combining resources in new ways that disrupt the market equilibrium in the economic system. Ever since Schumpeter, the emergence of new businesses has been explored, not only in terms of opportunities, but also, in terms of resources that are combined in

specific ways that best lead to competitive advantages. (Barney, 1991; Grant, 1991; Peteraf, 1993). This means that the carrying out of new combinations of resources is another important component of entrepreneurship.

These two complementary components of entrepreneurship when combined together, define entrepreneurship as “*taking advantage of opportunities by novel combinations of resources in ways which have impact on the market*” (Wiklund, 1998, Aloulou, 2002, p: 6). The process of taking advantage of opportunities and combining resources is driven by the firm’s strategic orientation. This implies that when a firm wants to be entrepreneurial, it has to implement a strategic orientation that mixes the two dimensions of entrepreneurship. Therefore, SMEs need to maintain an entrepreneurial strategic orientation to respond to changing environmental conditions.

Entrepreneurs and entrepreneurship

Stevenson, Roberts and Grousbeck, (1998) stated that entrepreneurship a method by which individuals pursue opportunities without consideration for the resources they currently manage. It is also seen as meeting actual and possible needs of the market via the creation of value through the seizing or crating of opportunities. Jennings and Young (1990) described corporate entrepreneurship as the process of developing new products or new markets. Consistent with this definition, an organization is entrepreneurial if it develops a higher than average number of new products or new markets within that industry. Gartner (1988) held that the behaviors that are related to performing entrepreneurial activities can be used to define the entrepreneurship. Hence, entrepreneurship is about opportunity identification, development, and capture (Jennings and Young, 1990).

McGrath and MacMillan (2000) suggested incorporating “entrepreneurial mindset” as a foundation of strategic management. Entrepreneurship should not be centered only on the entrepreneur but also on the intersection of that enterprising person and lucrative or entrepreneurial opportunities (Kirzner, 1973; Schumpeter, 1934).

Enterprise development is almost universally promoted in developing countries, and is often justified on the grounds that the emergence of entrepreneurs is an important mechanism to generate economic growth (Kodithuwakku and Rosa, 2002 and Landes, 1998). Entrepreneurship in developing countries is arguably the least studied significant economic and social phenomenon in the world today. Entrepreneurship has played an important role in economic growth, innovation, competitiveness and in poverty alleviation (Fairoz et.al. 2010).

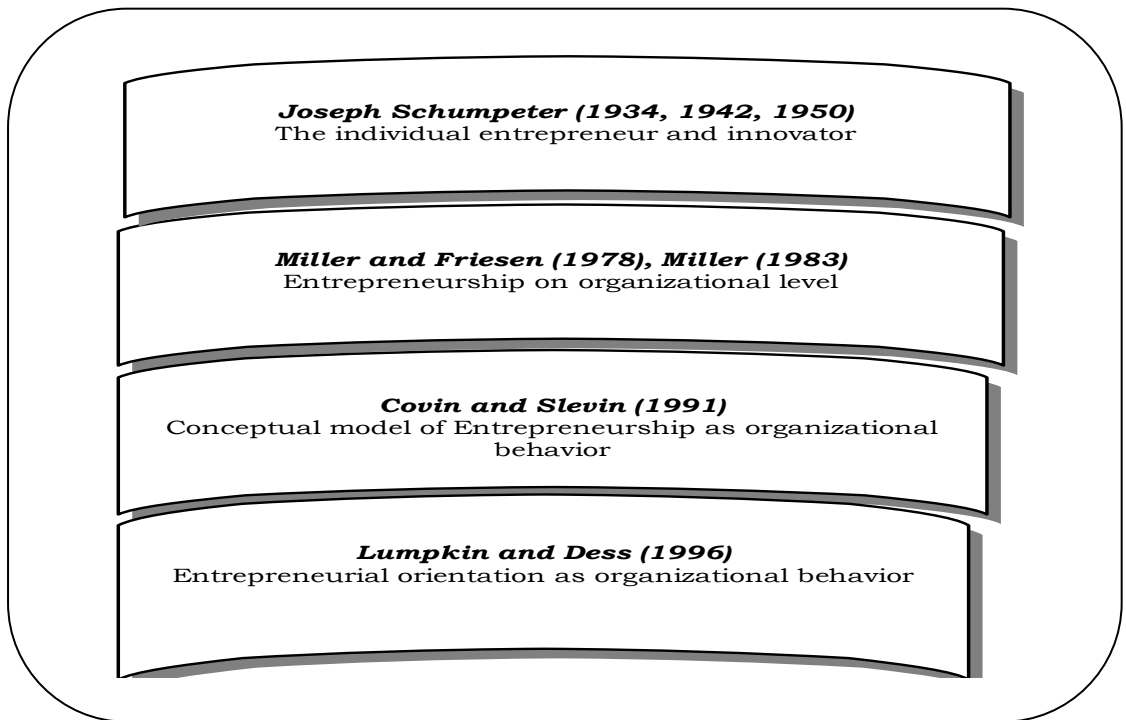
At the heart of innovation and product development are entrepreneurs. The term “entrepreneur” although is a common term remains one of the most difficult concepts, to define. Much depends on whether the term is used to describe capacity to innovate or whether it refers to ability to organize and manage a business concern. The American Heritage Dictionary by Webster, describes an entrepreneur as one who organizes, operates and essentially assesses the risks of a business venue. An entrepreneurial leader is a manager who is in the forefront of innovation in shaping organization for present and future growth and profitability (Enwrom, 1994). Therefore, entrepreneurship refers to the act or process of identifying business opportunities and organizing to initiate a successful business activity.

Antecedents of entrepreneurial orientation

The theory of entrepreneurial orientation is part of the organizational branch of entrepreneurship research. Historically, scholars have developed typologies of different perspectives of entrepreneurship, typically depicting these differences as a result of various combinations of individual, organizational, and/or environmental factors.

These factors determine when and why entrepreneurship occurs. One fundamental distinction in entrepreneurship research is the distinction between content and process. In the early strategy literature, scholars focused on the strategic question which business to enter or which opportunity to pursue. This is the question for content. The result would be the essential act of entrepreneurship, which is a new entry into business. New entry “is the act of launching a new venture, either by a start-up firm, through an existing firm, or via ‘internal corporate venturing’”.

Another important aspect in the analysis of entrepreneurship is the organizational level of analysis. Individuals can be entrepreneurial, so can be organizational units, and whole organizations.

Exhibit 1 Development stages of organizational entrepreneurship theory

Source: Boem J. 2011: p.67

Entrepreneurial orientation is an organization-focused behavioral approach with respect to a particular functional emphasis. Danny Miller, in an early attempt to clarify the notion of the theory, and describes an entrepreneurial orientation as one that “emphasizes aggressive product-market innovation, risky projects, and a proclivity to pioneer innovations that preempt the competition.” Three important characteristics describe entrepreneurial orientation:

- a high degree of innovativeness
- risk taking, and
- pro-activeness

The theory of entrepreneurial orientation has been further developed over the 1990s, initially by Jeffrey Covin and Dennis Slevin, and later by Tom Lumpkin and Gregory Dess.

Operationalization of entrepreneurial orientation

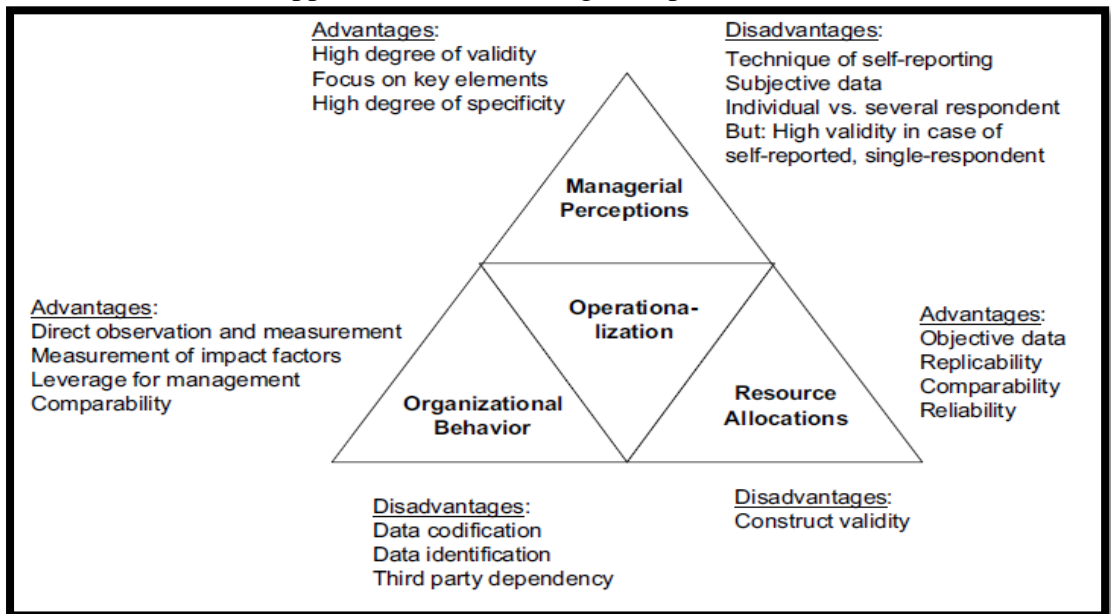
A key element of effectiveness of the construct lies in the associated operationalization. Lyon et al. reported in 2000, four years after the initial publication of the entrepreneurial orientation construct, about the strengths and weaknesses of three different approaches how to operationalize entrepreneurial orientation. These approaches are:

- (1) managerial perceptions, (2) firm/organizational behavior, and (3) resource allocation. Based on an analysis of the literature, the authors suggested a triangulation of research methods.

Managerial perceptions as preferred approach

In the previous three sections, the advantages and disadvantages of managerial perceptions, organizational behavior, and resource allocation as research approaches with respect to the goals of construct validity, construct reliability, and practicability were discussed. Exhibit 18 summarizes this discussion.

Exhibit 2: Three approaches to measuring entrepreneurial orientation



Source: own conception, following Lyon et al. (2000), p. 1064.

It shows that the approach of testing perception of individuals in managerial and leadership positions, is most advantageous, because it provides the highest construct validity, the highest degree of specificity, and can be tailored in order to focus on the key elements of entrepreneurial orientation. Its practicality can still be high, depending on how the actual surveying activity is structured. By concentrating on a self-reported single respondent, the researcher can limit the impact of data subjectiveness.

Measurement of entrepreneurial orientation

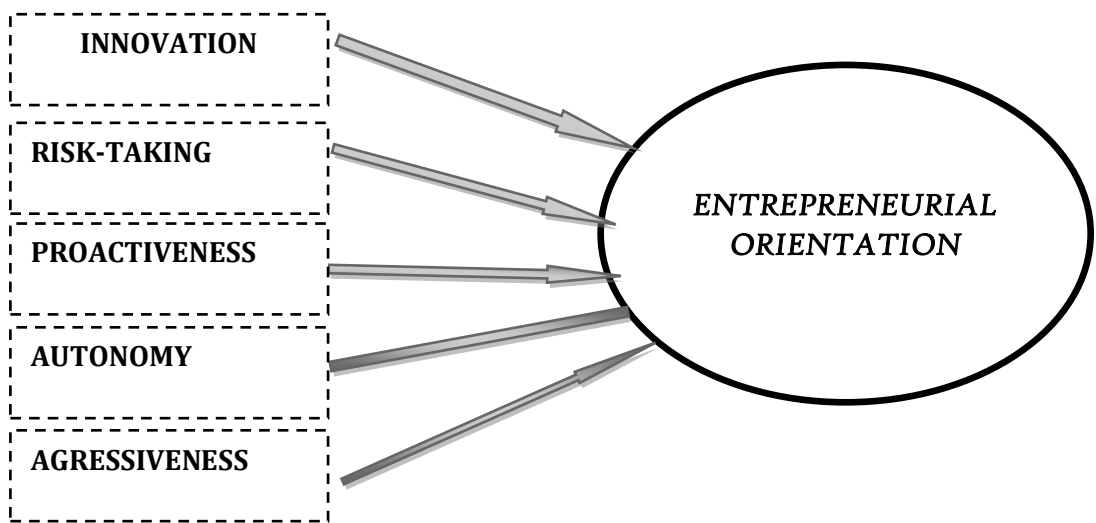
In fact, Covin and Slevin's (1989) measure of EO, based on the earlier work of Khandwalla (1977) and Miller and Friesen (1982) is the most widely utilized operationalization of the construct in both the entrepreneurship and strategic management literatures. Wiklund alone (1998) identified no less

than twelve empirical studies based on Covin and Slevin's scales. Covin and Slevin further theorized that the three sub-dimensions of innovativeness, proactiveness, and risk-taking acted in concert to —comprise a basic, unidimensional strategic orientation that should be aggregated together when conducting research in the field of entrepreneurship (Covin & Slevin, 1989). Entrepreneurship researchers have adopted D. Miller and Friesen's (1982) original measurement of organizational-level entrepreneurship or slightly modified D. Miller's measurement (1983) and adopted or extended it with several other studies (Covin & Slevin, 1991; Dess et al., 1999; Lumpkin & Dess, 1996). This study based the measure of EO that is now referred to as the Miller/Covin and Slevin scale (Brown et al., 2001).

The scale contains items that measure a firm's tendency toward innovativeness, risk taking, proactiveness, aggressiveness and autonomy. Wiklund (1999) identified that this measure is a viable instrument for capturing firm-level entrepreneurship. *Innovativeness* is assessed by asking founder-managers about the product-market and technological aspects of innovation (D. Miller & Friesen, 1982) and the firm's overall propensity of innovative behavior (Hurt, Joseph, & Cook, 1977). Firm *risk taking* is assessed by asking founder managers about the firm's propensity to engage in risky projects and preference for bold versus cautious acts to achieve firm objectives (Lumpkin & Dess, 1996). *Proactiveness* is assessed by asking founder-managers about the firm's tendency to lead, rather than follow, in terms of developing new procedures, technologies and new products or services (Covin & Slevin, 1989). *Aggressiveness* is measured by competitive processes used by founder-managers to pursue rivals or take up new competitors, since its point of reference is competition (Lumpkin & Dess, 1996). *Autonomy* is measured by independent action undertaken by founder-

managers or teams directed at bringing about a new venture and seeing it to fruition (Lumpkin, Coglisser, & Schneider, 2009). In total, 46 items were included in the EO scale. Details of the items are included in Appendix – Table A1. A Five-point Likert scale ranging from strongly disagree to strongly agree, was used to assess the items that measure a firm’s tendency toward EO.

Exhibit 3: The Research Model



Adopted From Lumpkin & Dess, 1996

Research methodology

General introduction

This chapter clarifies the research design in detail and explains how it can be obtained. Given the importance of this issue, this chapter presents the research paradigms and discusses the chosen approach for the study after a brief introduction of the research problem.

Research design

According to Leedy and Ormord (2005: 85), research design provides the overall structure for the procedures the researcher follows, the data the researcher collects, and the data analysis the researcher conducts.

According to Kotzar et al (2005), research design is defined as the plan and structure of investigation and the way in which studies are put together. Cooper et al (2003) also define research design as the process of focusing on the researcher's perspective for the purpose of a particular study.

In this study, the researcher used the descriptive survey research design. According to Leedy et al (2005) the descriptive survey involves acquiring information about one or more groups of people asking them questions and tabulating their answers. Leedy et al (2005) further explained that the ultimate goal of survey research design is to learn about a large population by surveying their representative sample, summarizing their responses in percentages, frequency, or more sophisticated statistical tools. Finally, drawing inferences about a particular population from the responses of the sample would be possible. Accordingly, the researcher used descriptive survey with major quantitative approach with qualitative support.

Sampling design

To portray sampling frame information was collected from concerned authorities in this case Addis Ababa city Administration Trade and Industry Development Bureau. According to the bureau the total number of enterprises registered in the leather sector in the city of Addis Ababa is 412 of which 269 are engaged in footwear manufacturing. These numbers include micro, small, medium and large enterprises. The bureau does not have any

established standard to classify those enterprises as micro, small, medium and large.

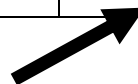
For the purpose of this study, the employment criterion is used. Thus, small enterprises include those employing up to 30 persons and medium-scale between up to 100 persons and capital of up to ETB.100, 000 and not more than ETB 1,500,000 for small industries and greater than 1.5 Million for medium enterprises respectively (FeMSEDA; 2011).

For this study “small and medium business” is defined as one with 100 or fewer employees, according to the World Bank definition (Aygary, 2005) employed in South Africa as this also conforms to of Ethiopia.

The focus of this study was only small and medium Leather footwear enterprises. So that, of the total leather products manufacturing Enterprises, which is 412, there is only 95 of them are categorized under small and medium enterprises. On the other hand of the total 269 leather footwear enterprises only 30 are categorized under small and medium. There for, the researcher took those 30 operating under small and medium leather sector enterprises as a target respondent.

#Leather Sector Operators: Micro, small & Medium enterprises (MSMEs)	#Leather (footwear) Sector Operators: MSMEs	#Leather Sector Operators: Small & Medium Enterprises(SMEs)	#Leather (footwear) Sector Operators: SMEs
412	269	95	30

Source: own compilation



Procedures of data collection

Based on the information gathered from Addis Ababa city Administration Trade and Industry Development Bureau 24 small and 6 medium leather footwear enterprises were identified. Of the total registry in the sector these were the only enterprise fall under small & medium Category. But it was difficult to know their location. Some of them are closed before few years others are not in the place where they are registered. Later on the researcher has got information about different leather foot wear cluster in the city of Addis Ababa in which all producers are a member. For this study purpose the “Ethio- International Footwear Cluster cooperative Society Ltd (EIFCCOS)” which is located in the placed called “Yeka” around British Embassy are selected.

As this study is basically empirical in nature, primary data was gathered from Owner/mangers of the SMEs by giving the questionnaire surveys to respond. They were selected because they are the most knowledgeable about the businesses’ overall operational activities. It has been shown in many studies that business owners or high-level managers are primarily the decision makers setting the strategic orientation of the organization (Covin and Slevin, 1989; Cunningham and Lischeron, 1991). A survey of an industry’s leader could provide important information of the industry’s basic business philosophy as they typically guide the organization’s overall business philosophy (Chaganti and Sambharya, 1987; Milles and Arnold, 1991). Hence, the more emphasize is inclined to the primary data source. The closed ended questionnaires which are designed on an interval scale of measurement basis will be used to collect primary data, so that the variables could be ranked to measure the degree of their strength or the agreement or the disagreement of the respondents with the variables.

Data gathering instrument

For the purpose of this study a majorly quantitative methodology involving a close-ended questionnaire was used as the measuring instrument namely entrepreneurial orientation questionnaire (EOQ) besides the Demographic questionnaire and a mini qualitative via interview to get clarification of the quantitative data was also utilized.

Measurement of variable-entrepreneurial orientation (eoi)

The entrepreneurial orientation was evaluated via the entrepreneurial orientation index (*EOi*). To calculate the entrepreneurial orientation index, a 46-item entrepreneurial measurement scale (14-items measures each of the dimensional variables of innovativeness, 11 for proactiveness, 13 risk taking and 4 for autonomy competitive aggressiveness each). The questions from the Covin and Slevin (1989) were reconstructed from seven-point Likert Scale to five-point Likert's scale. This is not the first time of modifying EO scale, other researchers have also employed modified versions of EO scale when circumstances warranted (Dickson and Weaver, 1997; Knight, 1997; Steensma et al., 2000, Kreiser, Marino and Weaver, 2002).

In accordance with the 5-point Likert's scale adopted in structuring of the EO's scale, the computation and interpretation was done as follows:

The entrepreneurial orientation index (EOi):

$$EOi = \frac{\text{Respondent's Responses Score (RRS)} \times 100}{\text{Total Possible Score (TPS)}}$$

Where:

- *Respondent Response Score (RRS) = Sum of the actual scores*

- *Total Possible Score (TPS) = It is the maximum possible score obtainable by a respondent*

As done for Entrepreneurial Orientation index (EO_i), the indexes of the entrepreneurial orientation dimensional variables: *Innovativeness* ($INOVATE_i$), Risk-taking (RKT_i), Proactiveness ($PROACT_i$) Autonomouse ($AUTON_i$), and Competitive Aggressiveness ($COMAGR_i$) was calculated using the same methodology. However, rather than computing for the whole 46 items, the item(s) operationalising or measuring each of the dimensional construct were applied.

Innovativeness Index (II_i) is calculated as:

$$INOVATE_i = \frac{\text{Respondent's Responses Score (RRS)} \times 100}{\text{Total Possible Score (TPS)}}$$

Where:

- *RRS = the sum of the Respondent's Actual Scores on items measuring innovativeness*
- *TPS = the Total Possible Score on items measuring innovativeness*

Likewise, to calculate for other dimensional variables of EO, the acronyms of the variables of interest would be substituted for EO_i , as done for Innovative index ($INOVATE_i$) and applying the relevant measures on the EO Scale.

Data analysis and presentation procedures

After the data has been collected, it is necessary to utilize statistical techniques to analyze the information as this study is majorly quantitative in nature. The researcher applied both descriptive and inferential statistics. Statistical analysis involves both descriptive and inferential analysis. The

former helps the researcher to have the feel of the data he is dealing with, and to guide him as to what variables and techniques should be used in the inferential analysis.

Frequency tables will be used to summarize the respondents profile in the form of frequency and percentages whereas the descriptive statistics such as mean of entrepreneurial orientation will be calculated. This was followed with presentation of the detail discussions on variables along with interpretations.

Data presentation and analysis

General background of respondents

The study sample constituted 30 Small and medium leather footwear manufacturing enterprises. Response on the questionnaire revealed that socio – demographic characteristics is distributed as indicated in Table 1 below.

Table-1:- The socio-demographic characteristic of the study sample by Sex, Age, marital status and Educational Background

Variable	Category	Respondents	
		Frequency	Percent
Sex	Male	28	93.3
	Female	2	6.7
	Total	30	100%
Age	18-25	-	-
	26-34	8	26.7
	35-43	16	53.3
	44-52	4	13.3
	53-60	2	6.7
	61 and above	-	-
	Total	30	100%
Marital Status	Single	4	13.3
	Married	20	66.7
	Separated	4	13.3
	Divorced	2	6.7
	Widow	-	-
	Total	30	100%
Educational background	Illiterate	2	6.7
	1-12	12	40.0
	Certificate	-	-
	Diploma	16	53.3
	1 st Degree	-	-
	2 Nd Degree	-	-
	PhD	-	-
	Total	30	100%

Source: survey data

As indicated in *Table 1*, 93.3 % of target enterprises are owned and led by males. From this we can understand that the leather footwear manufacturing sector operated under small and medium level are highly male dominated.

The table also shows that 80% of the owners of the target enterprises are between the ages of 26-43. It implies that more young people launch to create wealth in their younger age. When we see the marital status figure from table 1, majority of them (66.7%) are married. With regard to educational background more than half of the respondents (53.3%) are

diploma holders and the next highest proportion (40%) are between the ranges of grade 1-12. No one has college degree.

Table-2:- Year of experiences, Ownership, Owners Educational Background and Workforce composition of sample enterprises

Variable	Category	Frequency	Percent
Experiences of Enterprises	0 - 5	4	13.3
	6 - 10	20	66.7
	11 -15	4	13.3
	16 - 20	2	6.7
	Above 20	-	-
	Total		100%
Ownership	Sole proprietor ship	30	100
	PLC	-	-
	Partnership	-	-
	Cooperative	-	-
	Other	-	-
	Total	30	100%
Workforce composition	Managerial	30	10.9
	Skilled	14	5.1
	Semiskilled	174	63.0
	Unskilled	14	5.1
	Family Member	44	15.9
	Total	276	100%

Source: survey data

Table-2 indicates that the biggest number of respondents (66.7%) have an experiences of 6-10 year in the business. Some of them are ample experience in the area of shoe production. They start this business at their young age. These people said that they learn how to make leather footwear from their parents. Initially they were engaged in only selling of shoe but gradually they start to produce shoes.

The table also shows that almost all enterprises (100%) owned by individuals (sole proprietor ship)

When we see the work force composition score from the table the highest proportion (63.0%) is semiskilled. From the total work force engaged in the target enterprises only 5.1 % of them are taking formal training in the area. On the other hand significant number (15.9%) is family members which include husband, wife and father.

Table- 3:- Production capacity per day, Production per day &Capacity Utilization of sample enterprises

Variable	Category	Frequency	Percent
Production capacity per day/pair	0 - 24	2	6.7
	25 - 48	4	13.3
	49 - 72	14	46.7
	73- 96	4	13.3
	97 - 120	4	13.3
	121-144	2	6.7
	Total	30	100%
Production per day /pair	0 - 24	6	20.0
	25 - 48	14	46.6
	49 - 72	8	26.7
	73 - 96	-	-
	97 - 120	2	6.7
	Total	30	100%
Capacity Utilization per percent	0 - 25	-	-
	26 - 50	12	40.0
	51-75	10	33.3
	76 -100	8	26.7
	Total	30	100%

Source: survey data

As we see in table-3 it indicates that the enterprises have not used their full capacity of production 73.33% of them are used less than 75 % of their daily production capacity. According to the respondents it is due to lack of working capital and lack of market for their product. These enterprises produced mainly men's and ladies shoe but some time child shoe are produced especially when there is demand in the market what they call it pick season.

They have a serious financial problem. In most case when they receive order from their customer, they face shortage of working capital. Some of them are facing shortage even to run day to day operation of the firm.

Majority of them use their relatives in their production sites. According to them it is the way how they minimize their unit production cost.

Table- 4:- Potential Clients, Number of Competitors & Market Share of sample Enterprises

Variable	Category	Frequency	Percent
Potential Clients	Individual Consumer	-	-
	Wholesalers	8	26.7
	Retailers	2	6.7
	Individual Consumer& Retailers	-	
	Retailers & Wholesalers	20	66.6
	Individual Consumer & Wholesalers	-	-
	Three of them	-	-
	Total	30	100%
Number of competitors	10	2	6.7
	120	2	6.7
	1200	2	6.6
	I do not know	24	80.0
	Total	15	100%
Market share of the enterprises	I do not know	30	100
	Total	30	100%

Source: survey data

Table - 4 indicates that 66.6 % of the enterprises potential clients are both retailers and wholesalers. The table also shows that 80% of target enterprises do not know the exact number of their competitors. As some the respondents explain, even they have never thought about it in their business life.

The figure in table 4 also shows that all of the target enterprises (100%) do not know their market share. From these one can understand that the firms are doing business randomly.

Presentation of findings

The questionnaire was administered in this study as the primary research instrument in order to describe the five dimensions on entrepreneurial orientation. They are Innovativeness, pro-activeness, risk taking, autonomy and competitive aggressiveness.

The questionnaire has 46 descriptive statements under five dimensions. Of which 14 questions are under innovativeness, 11 under pro-activeness, 13 under risk taking, 4 under autonomy and 4 under competitive aggressiveness.

The instrument distributed contains 46 descriptive statements in the form, the owner/Managers of the sample enterprises are asked to “judge how frequently each statements fits him/her using a five point rating scale (**1= strongly disagree, 2= disagree, 3=Moderate, 4=Agree, 5= strongly disagree**). Fifteen questionnaires were distributed. The researchers himself administer all the 30 questionnaires by interviewing the respective respondent as per the questions on the questionnaires. As a result, 30 of them were properly filled.

Of the total 30 questionnaires, 24 were distributed to small leather footwear manufacturing enterprises and 6 questionnaires to Medium leather footwear manufacturing enterprises. All the questionnaires are responded by owners of the enterprises. The response obtained from the sample respondent is presented as follows:-

Classification of questionnaire items

The questions in the Questionnaire are categorized into two groups. The first group of questions is entrepreneurial orientation dimension question which includes:-innovativeness, pro-activeness, risk taking, autonomy and competitive aggressiveness and their sub-classifications. The second group of questions is Business performance, which contains 10 business performance measurement questions.

Table 5:- Classification of Questionnaires under Entrepreneurial Orientation and Business Performance

Entrepreneurial orientation & business performance questions	
Entrepreneurial orientation	Related question
Innovativeness,	From 1-14
pro-activeness	From 15- 25
risk taking	From 26- 38
autonomy	From 39 - 42
competitive aggressiveness	From 43 -46

Source: survey data

Distribution of responses

The purpose of presenting distribution of responses is to show the proportion of respondents' replied on the given alternative rating scale for each question provided in entrepreneurial Orientation dimension Questionnaire. The rating scale provided for the questions as alternative for respondents were;

Key: 1 = Strongly Disagree

2 = Disagree

3 = Moderate

4 = Agree

5 = Strongly Agree

For example, question No. 1 in entrepreneurial Orientation dimension questionnaire, “In general , my firm favor a strong emphasis on research and development , technological leadership and innovation ”; the number of sample respondents replied to the given alternative rating scales is presented in tabular form as follows:

Table 6: proportion of respondents in line with the five dimensions

Rating scale	No of respondents	Proportion
Strongly disagree (1)	2	6.7%
disagree (2)	4	13.3%
Moderate (3)	8	26.7%
Agree (4)	12	40.0%
Strongly agree (5)	4	13.3%
Total	30	100%

Source: survey data

For the sake of simplicity, the proportion of respondents replied is used to present the respective responses for given alternatives of rating scales in tabular form as follows:

Weighted average result

The weighted average is computed based on the percentage (proportion) of sample respondents with respect to the rating scale.

Weighted average result $X = \sum P_i X_i$

Where: P_i = Proportion or percentage of respondents replied to the questions
with respect to given alternative rating scale

$$X_i = \sum P_i X_i = [P_0 * 0 + P_1 * 1 + P_2 * 2 + P_3 * 3 + P_4 * 4]$$

Where: P_1 = The proportion of respondents replied “strongly disagree”

P_2 = Proportion of respondents replied “disagree”

P_3 = Proportion of respondents replied “moderate”

P_4 = Proportion of respondents replied “agree”

P_5 = Proportion of respondents replied “Strongly agree”

Rating scale (alternatives)

Where: X_1 = Strongly Disagree

X_2 = Disagree

X_3 = Moderate

X_4 = Agree

X_5 = Strongly Agree

For example, for question number 1 in Innovativeness Questionnaire, “In general, my firm favors a strong emphasis on research and development, technological leadership and innovation” the weighted average (WA) is computed as follows:

$$\sum X_i P_i = X_i = [1 * 6.7\% + 2 * 13.3\% + 3 * 26.7\% + 4 * 40\% + 5 * 13.3\%] = 3.399$$

Average of weighted average result

The average of weighted average is computed to indicate summarized data under the entrepreneurial orientation dimension. To summarize the findings,

in the form of Average, the weighted average of related questions under innovativeness category is used.

Average is computed as $\bar{X} = \sum X_i / n$

Where \bar{X} = Average of weighted average

X_i = Weighted average result

n = number of questions

For example, under Entrepreneurial orientation dimension average can be computed as follows:

Weighted Average of Question 1 + Question 2 + Question 3+ - -14 =
 $3.399 + 3.266 + 3.996 + 4.333 + 3.203 + 4.604 + 3.470 + 4.532 + 4.269 + 2.268 + 2.464 + 4.063 + 3.668 + 4.000 = 51.535$

Therefore,

$$\bar{X} = \sum X_i / n = 51.535 / 14 = 3.681$$

Table- 7:- Summary of average of weighted average result

Entrepreneurial orientation	Related Questions	Average [$\bar{X} = \sum X_i / n$]
	From 1-14	3.681
Pro-activeness	From 15- 25	3.387
Risk taking	From 26- 38	3.635
Autonomy	From 39 - 42	4.215
Competitive aggressiveness	From 43 -46	3.767
Average of sum		3.737

Source: survey data

Data analysis

The average result obtained with respect to the rating scales provided for the entrepreneurial orientation dimension in small & medium leather footwear manufacturing enterprises in the city of Addis Ababa is analyzed for each category of questions under entrepreneurial orientation; the result obtained ranging from 1 to 5 shows the frequency of real practice that the enterprises exercised.

The average result obtained as can be seen from table 7 which describes the frequency of the entrepreneurial dimension is analyzed as follows:

Entrepreneurial orientation

Innovativeness

Table 8 indicates that the result of average shows 3.681. It can be understood that, the enterprises experiences innovative activity as can be expected. This implies that the enterprises practice innovative activities by introducing new products to the market but it is difficult to say that they are perfectly innovative. Because as previous studies indicated innovativeness reflects the propensity of the firm to engage in new ideas and creative processes that may result in new products, services or technological processes (Wiklund, 1999). But as the researcher observes during interview they consider making minor modification in the design of their product as innovation. Furthermore, almost all the respondents are not creating a new style or fashion of shoe by their own rather they are just adopting what Chinese do.

Pro-activeness

From table 8 the result of average shows **3.387**. From the result one can judge that those enterprises are ahead of others most often first to initiate actions to competitors. But as the researcher observes during interview although the enterprises have a strong tendency to be a head of other in introducing novel ideas or products, they could not realize it due to various constraints. Therefore, pro- activeness dimension of EO is very low compare to other EO Dimensions.

Risk taking

Based on the average obtained from table 8 which shows 3.635, the enterprises used taking a risk as expected. For some of them it seems a common practice in their daily business life. But Most of them take risk without having contingency plan, reserve money and sharing with other business partner. They took risk in their entire step but it is not calculated.

Autonomy

Average rating scale result shows in table 8, **4.215**, it can be understood that, the enterprises enjoy autonomy just above the satisfactory scale. As they explain during our interview autonomy/independency especially in terms of finance is very crucial to lead the business in an efficient effective manner.

Competitive aggressiveness

Based on result obtained from table 8, the average shows 3.767. The enterprises are assumed to be more aggressive against their competitors. On the other hand responses under general profile of the enterprises section for the questions related to “No of competitors: and “Market share” it is indifferent, almost all are replied that they do not know who their

Competitors are. They do not know even how much is their market share, so from these we can say that they are making business haphazardly.

The average result for the above categories describes that there is a real practice of Entrepreneurial orientation adopted by the small & medium leather footwear manufacturing enterprises. The average of sum shows 3.737 from this it can be understood that the degree of EO was above the moderate level in the majority of the enterprises. But with the degree of practice, how often the enterprises practice, might not able us to say they have properly exercise it.

Conclusion and implication

This study was a first-step to investigate SME's entrepreneurial orientation in AA. The degree of EO was moderate in the majority of SMEs in AA and there was a significant relationship between proactiveness, innovativeness, risk taking and overall EO with market share growth.

The findings further suggest that it may be better for SME owner/ managers in AA to improve entrepreneurial posture towards identifying business opportunities and adopt appropriate entrepreneurial strategies to enhance entrepreneurial orientation to challenge competition by other firms in leather footwear in AA.

The findings of this study have some implications for theory, and practice particularly for development of SMEs in AA. The theoretical contribution of this study provides new insights in small business research concerning the AA to follow up similar studies, which may provide more reliable data and interpretations in SME development.

Some points highlighted herein were for the government and non-government sector to focus on promoting the level of EO by directing research and development activities, providing financial resources, training package and consultancy services etc. Also contains some information useful in collaborative work among governments agencies, the chamber of commerce as well as Business Development Services (BDS) to direct more resources and energy to promote, and encourage entrepreneurial culture towards enhance the entrepreneurial orientation of SMEs. Further, the present study may also provide useful information for SME owner/managers in relation to their individual level of entrepreneurial orientation as an assessment in developing their skills.

Recommendations

Leather footwear in Addis Ababa are potential entities as another economic engine of growth as reflected in the composition of the entrepreneurs and type of business they undertake. Ethiopian SMAEs future development should spearhead in strategic firm-level entrepreneurship paradigm as proved in the entrepreneurs' scores in EO. Thus, the Leather footwear sector entrepreneurs characteristics, industry and impact of EO on SMAEs proposed an alternative approach in the present entrepreneurship development strategy. The findings suggest that the present entrepreneurs development policy should be modified to fit each SMEs' EO appropriate for each firms.

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Annex 1: Proportion of responses for a given alternatives of EO dimension rating scale in percentage

No	Questions in EO dimension questionnaires	Proportion (%)					
		Strongly disagree	Disagree	Fair/moderate	Agree	Strongly agree	Total
		1	2	3	4	5	
	Questions related with innovation						
1	In general , my firm favor a strong emphasis on research and development , technological leadership and innovation	6.7	13.3	26.7	40.0	13.3	100
2	In the past 5 years ,my firm has introduced many new line of products or service	-	20.0	46.7	20.0	13.3	100
3	I like to be in charge and be responsible for positions other than what I am engaged now.	-	-	13.3	73.3	13.3	100
4	I make a decision on matter and then stick to the decision even when challenged.	-	-	20.0	26.7	53.3	100
5	In the past 5 years ,changes in our product or service line have been quiet dramatic	6.7	6.7	53.3	26.7	6.7	100
6	The leather foot wear manufacturing business requires an extensive experience in the area.	-	-	6.7	26.7	66.7	100
7	I believe that there is a need in my geographic areas for the product or services my firm intending to market.	6.7	-	40.0	46.7	6.7	100
8	Other firms in your industrial classification (Leather footwear manufacturing Business) doing well in your geographic area.	-	6.7	6.7	13.3	73.3	100
9	I thought I really like the leather footwear manufacturing business more than anything else.	6.7	-	6.7	26.7	60.0	100
10	When things go right and are terrific for me, I think it is mostly luck.	40.0	13.3	33.3	6.7	6.7	100
11	I think I should go into business or do something with my time for pay because everything I need these days is urging me in that direction	13.3	40.0	33.3	13.3	-	100
12	I believe that if I decide to do something, I will do it and nothing can stop me.	-	13.3	-	53.3	33.3	100
13	If I want something, I ask for it rather than wait for someone to notice me and “just give it to me.	13.3	-	20.0	40.0	26.7	100

14	In doing business even though people tell me “It cannot be done, I have to find out for myself.	-	-	20.0	60.0	20.0	100
	Questions related with pro-activeness						
15	In dealing with competition my firm often first to initiate actions to competitors, for which the competitors then respond	6.7	20.0	53.3	20.0	-	100
16	Very often , my firm is the first to introduce new product, service, processes, technologies & administrative techniques	-	33.3	46.7	20.0	-	100
17	In general, my firm has a strong tendency to be a head of other in introducing novel ideas or products.	-	20.0	40.0	26.7	13.3	100
18	I like meeting and dealing with people on issues related on leather foot wear businesses.	-	-	6.7	33.3	60.0	100
19	I always communicate effectively and persuade people to go along with my dream.	-	-	20.0	46.7	33.3	100
20	In my business life in most cases others (Business Partner) easily understand my concept and ideas.	-	-	33.3	53.3	13.3	100
21	I have knowledge and experience of running a business (like tax records, payroll records, income statement, balance sheet)	40.0	33.3	20.0	6.7	-	100
22	I believe that having enough financial backing for the operation of my business is crucial.	20.0	26.7	20.0	-	33.3	100
23	To know individuals who have the talents and experts that I lack is important in doing business.	6.7	6.7	20.0	60.0	6.7	100
24	I usually wait for people to call me to join them in to new business, rather than intrude on them.	6.7	13.3	33.3	33.3	13.3	100
25	I know the supplier necessary for my business to succeed.	-	6.7	13.3	60.0	20.0	100
	Questions related with risk taking						
26	I have a strong preferences of high risk projects (with chances of very high return)	-	13.3	26.7	33.3	26.7	100
27	I believe that owing to the nature of the environment bold, wide-ranging acts are necessary to achieve the firm’s objectives. When confronted with decision making situations involving uncertainty.	-	6.7	20.0	46.7	26.7	100
28	My firm typically adopts a bold aggressive posture to maximize the probability of exploiting potential opportunities.	-	13.3	60.0	13.3	13.3	100
29	I Can take risks with money that is investing, and not know the outcome.	-	13.3	26.7	40.0	20.0	100
30	I do have contingency plan every time I invest on a new business?	13.3	33.3	26.7	13.3	13.3	100
31	I do have reserve money every time I invest on a new business?	13.3	46.7	13.3	13.3	13.3	100

32	Even though it's scary to try something new, I am the kind who tries it.	-	13.3	13.3	46.7	26.7	100
33	I do seek a partner every time I invest on a new business?	-	13.3	13.3	60.0	13.3	100
34	If I am frightened of something to make business, I will try to conquer the fear.	-	6.7	20.0	53.3	20.0	100
35	I have Interest in trying new business, new places and totally new experiences.	20.0	13.3	40.0	26.7	-	100
36	It is common and normal to take a risky business issues in my business life.	-	6.7	20.0	60.0	13.3	100
37	If I believe that the matter that I am dealing with favours me, I intentionally travelled for business in an unfamiliar route.	6.7	13.3	13.3	66.7	-	100
38	I usually need to know that the business has been done already before I am willing to try it.	6.7	46.7	6.7	40.0	-	100
	Questions related with autonomy						
39	To run my business safely I prefer to be financially independent.	-	-	13.3	13.3	73.4	100
40	I often need to ask other people's opinion before I decide on important things	-	-	20.0	13.3	66.7	100
41	I am confident enough to decide where to go to make business rather than other people do.	-	6.7	20.0	40.0	33.3	100
42	I do not seek the approval of others on issues related with your responsibility.	-	20.0	13.3	33.3	33.3	100
	Questions related with competitive aggressiveness						
43	When I am dealing on business with other people. I speak up for an unpopular cause if I believe in it	13.3	6.7	20.0	46.7	13.3	100
44	Other people who I deal with respect and trust me.	-	-	13.3	60.0	26.7	100
45	I may walk up to a total stranger and strike up a conversation in my business dealing.	-	20.0	33.3	40.0	6.7	100
46	My firm is always alert to know the current position and status of my competitors	-	6.7	13.3	33.3	46.7	100

Annex 2: Weighted Average Result for EO Dimension questions

No	Items	Weighted Average = $\sum p_i x_i$ (Xi)
	Innovativeness	
1	In general, my firm favors a strong emphasis on research and development, technological leadership and innovation.	3.399
2	In the past 5 years ,my firm has introduced many new line of products or service	3.266
3	I like to be in charge and be responsible for positions other than what I am engaged now.	3.996
4	I make a decision on matter and then stick to the decision even when challenged.	4.333
5	In the past 5 years ,changes in our product or service line have been quiet dramatic	3.203
6	The leather foot wear manufacturing business requires an extensive experience in the area.	4.604
7	I believe that there is a need in my geographic areas for the product or services my firm intending to market.	3.470
8	Other firms in your industrial classification (Leather footwear manufacturing Business) doing well in your geographic area.	4.532
9	I thought I really like the leather footwear manufacturing business more than anything else.	4.269
10	When things go right and are terrific for me, I think it is mostly luck.	2.268
11	I think I should go into business or do something with my time for pay because everything I need these days is urging me in that direction	2.464
12	I believe that if I decide to do something, I will do it and nothing can stop me.	4.063
13	If I want something, I ask for it rather than wait for someone to notice me and “just give it to me.	3.668
14	In doing business even though people tell me “It cannot be done, I have to find out for myself.	4.000
15	In dealing with competition my firm often first to initiate actions to competitors, for which the competitors then respond	2.866
16	Very often , my firm is the first to introduce new product, service, processes, technologies & administrative techniques	2.867
17	In general, my firm has a strong tendency to be a head of other in introducing novel ideas or products.	3.333
18	I like meeting and dealing with people on issues related on leather foot wear businesses.	4.533

19	I always communicate effectively and persuade people to go along with my dream.	4.133
20	In my business life in most cases others (Business Partner) easily understand my concept and ideas.	3.796
21	I have knowledge and experience of running a business (like tax records, payroll records, income statement, balance sheet)	1.934
22	I believe that having enough financial backing for the operation of my business is crucial.	2.999
23	To know individuals who have the talents and experts that I lack is important in doing business.	3.536
24	I usually wait for people to call me to join them in to new business, rather than intrude on them.	3.329
25	I know the supplier necessary for my business to succeed.	3.933
	Risk Taking	
26	I have a strong preferences of high risk projects (with chances of very high return)	3.734
27	I believe that owing to the nature of the environment bold, wide-ranging acts are necessary to achieve the firm's objectives. When confronted with decision making situations involving uncertainty.	3.937
28	My firm typically adopts a bold aggressive posture to maximize the probability of exploiting potential opportunities.	3.263
29	I Can take risks with money that is investing, and not know the outcome.	3.667
30	I do have contingency plan every time I invest on a new business?	2.797
31	I do have reserve money every time I invest on a new business?	2.663
32	Even though it's scary to try something new, I am the kind who tries it.	3.868
33	I do seek a partner every time I invest on a new business?	3.730
34	If I am frightened of something to make business, I will try to conquer the fear.	3.866
35	I have Interest in trying new business, new places and totally new experiences.	2.734
36	It is common and normal to take a risky business issues in my business life.	3.799
37	If I believe that the matter that I am dealing with favours me, I intentionally travelled for business in an unfamiliar route.	3.400
38	I usually need to know that the business has been done already before I am willing to try it.	5.802

	Autonomy	
39	To run my business safely I prefer to be financially independent.	4.601
40	I often need to ask other people's opinion before I decide on important things	4.467
41	I am confident enough to decide where to go to make business rather than other people do.	3.999
42	I do not seek the approval of others on issues related with your responsibility.	3.796
	Competitive Aggressiveness	
43	When I am dealing on business with other people. I speak up for an unpopular cause if I believe in it	3.400
44	Other people who I deal with respect and trust me.	4.134
45	I may walk up to a total stranger and strike up a conversation in my business dealing	3.334
46	My firm is always alert to know the current position and status of my competitors	4.200

Table 1 presents a sampling of the EO definitions (as well as definitions of related constructs on which the concept of EO is based) advanced in prior research. These entries were selected for inclusion in Table 1 because they demonstrate variously subtle to-dramatic distinctions in their portrayal of the EO concept.

Annex 3 Table Selected Past Definitions of (or Pertaining to) Entrepreneurial Orientation

Authors	Definition of EO
Mintzberg (1973)	"In the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities" as well as "dramatic leaps forward in the face of uncertainty" (p. 45).
Khandwalla (1976/1977)	"The entrepreneurial [management] style is characterized by bold, risky, aggressive decision-making" (p. 25, [] added).
Miller and Friesen (1982)	"The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies" (p. 5).
Miller (1983)	"An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch" (p. 771).

Morris and Paul (1987)	“An entrepreneurial firm is one with decision-making norms that emphasize proactive, innovative strategies that contain an element of risk” (p. 249).
Covin and Slevin (1998)	“Entrepreneurial firms are those in which the top managers have entrepreneurial management styles, as evidenced by the firms’ strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative, and passive or reactive” (p. 218).
Merz and Sauber (1995)	“... entrepreneurial orientation is defined as the firm’s degree of <i>proactiveness</i> (aggressiveness) in its chosen product-market unit (PMU) and its willingness to <i>innovate</i> and create new offerings” (p. 554)
Lumpkin and Dess (1996)	“EO refers to the processes, practices, and decision-making activities that lead to new entry” as characterized by one, or more of the following dimensions: “a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities” (pp. 136–137).
Zahra and Neubaum (1998)	EO is “the sum total of a firm’s radical innovation, proactive strategic action, and risk taking activities that are manifested in support of projects with uncertain outcomes” (p. 124)
Voss, Voss, and Moorman (2005)	“... we define EO as a firm-level disposition to engage in behaviors [reflecting risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness] that lead to change in the organization or marketplace” (p. 1134, [] added).
Avlonitis and Salavou (2007)	“EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage” (p. 567).
Cools and Van den Broeck (2007/2008)	“Entrepreneurial orientation (EO) refers to the top management’s strategy in relation to innovativeness, proactiveness, and risk taking” (p. 27).
Pearce, Fritz, and Davis (2010)	“An EO is conceptualized as a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy” (p. 219).

Source: Covin J.G. and Wales W. J. 2011:3